

## Press release

### **Hannover Re well on track for a very pleasing year-end result**

- **Group net income +13.0%: EUR 786.0 million (EUR 695.4 million)**
- **Gross premium growth (currency-adjusted): +10.0%**
- **Return on equity: 13.7%**
- **Net major loss expenditure climbs to EUR 436.4 million (EUR 242.2 million), but remains within budget**
- **Combined ratio in property and casualty reinsurance: 95.5% (95.3%)**
- **Pleasing income from assets under own management: EUR 931.8 million (EUR 836.0 million)**
- **Return on investment: 3.5%**
- **Book value per share: EUR 64.15**
- **Outlook for the 2016 financial year: Group net income guidance EUR 950 million**

Hannover, 4 November 2015: Hannover Re is thoroughly satisfied with the development of its business as at 30 September 2015. The already good Group net income of the previous year's period was boosted by a further 13.0% to EUR 786.0 million (EUR 695.4 million). "This result is all the more pleasing for us given that the general climate in reinsurance business and the low interest rate environment continue to prove challenging", Chief Executive Officer Ulrich Wallin noted. "We are confident of achieving our ambitious profit target of around EUR 950 million for the full financial year."

#### **Gross premium sharply higher**

The increased profitability as at 30 September 2015 was a basis for remarkable growth in premium income. The gross written premium booked by the Hannover Re Group surged by 20.9% to EUR 12.9 billion (EUR 10.7 billion). At constant exchange rates growth would still have reached 10.0%. The company is therefore ahead of its expectations going into the year. The level of retained premium rose to 87.9% (87.0%). Net premium earned climbed by 20.8% to EUR 10.8 billion (EUR 9.0 billion); adjusted for exchange rate effects, growth would have come in at 10.0%.

**Group net income further boosted**

The operating profit (EBIT) as at 30 September 2015 stood at a very pleasing EUR 1,190.3 million (EUR 1,090.8 million) on the back of good results in reinsurance business and considerably higher investment income. Group net income also improved again by a substantial 13.0% on the comparable period to reach EUR 786.0 million (EUR 695.4 million). Earnings per share amounted to EUR 6.52 (EUR 5.77).

**Property and casualty reinsurance delivers another very good performance**

The supply of reinsurance coverage continues to exceed demand, keeping prices and conditions under sustained pressure. A slowing trend in the premium erosion can nevertheless be observed in certain lines and markets. This was also evident in the treaty renewals as at 1 July 2015, when parts of the portfolio in North America as well as most agricultural risks, business from Latin America and Australia came up for renewal. In the agricultural risks segment Hannover Re was able to write attractive new business and the company also achieved good outcomes in North American business.

All in all, Hannover Re is very satisfied with the premium growth booked in property and casualty reinsurance as at 30 September 2015. Despite its disciplined underwriting practice, total gross premium climbed sharply by 20.8% to EUR 7.3 billion (EUR 6.1 billion). Growth of 9.8% would have been recorded at constant exchange rates. The level of retained premium moved slightly lower to 88.8% (89.6%). Net premium earned rose by 16.9% to EUR 6.0 billion (EUR 5.1 billion); adjusted for exchange rate effects, growth would have amounted to 6.7%.

Property and casualty reinsurance continues to be notable for an absence of market-changing major losses. Nevertheless, an increased number of smaller natural disasters as well as, most significantly, fire and marine losses have been incurred in the current year. Against this backdrop, net expenditure on major losses increased appreciably as at 30 September 2015 to EUR 436.4 million (EUR 242.2 million); it was, however, still well within the budgeted amount for this period. The remaining major loss budget for the full 2015 financial year stands at EUR 253.6 million. The largest single loss for Hannover Re was the devastating series of explosions in the port of the Chinese city of Tianjin in August. Based on current information, the resulting loss amounts to EUR 95.9 million for net account. The combined ratio nevertheless remained broadly stable at 95.5% (95.3%) and is well within the target figure of 96% for the full year. The underwriting result reached a very satisfactory EUR

251.4 million (EUR 225.3 million). The operating profit (EBIT) as at 30 September 2015 came in at EUR 936.3 million (EUR 846.8 million), an increase of 10.6% compared to the previous year's period. Group net income rose by 16.1% to EUR 651.0 million (EUR 560.8 million). Earnings per share reached EUR 5.40 (EUR 4.65).

#### **Life and health reinsurance with attractive growth**

Life and health reinsurance developed satisfactorily. Gross premium in life and health reinsurance grew by a substantial 21.1% to EUR 5.6 billion (EUR 4.6 billion). The increase would have been 10.1% at constant exchange rates. Hannover Re anticipates further growth opportunities going forward. This is true on the one hand of mature insurance markets, where supervisory and regulatory changes are driving demand for tailored reinsurance solutions. On the other hand, the reinsurance of so-called lifestyle insurance products is also likely to generate appreciable growth. With the retention rising to 86.8% (83.7%), net premium earned climbed even more sharply by 26.0% to EUR 4.9 billion (EUR 3.9 billion). At constant exchange rates the increase would still have reached 14.3%.

The operating profit (EBIT) in life and health reinsurance totalled EUR 246.3 million (EUR 233.9 million) as at 30 September 2015. Group net income improved by 6.9% to EUR 177.8 million (EUR 166.2 million). Earnings per share reached EUR 1.47 (EUR 1.38).

#### **Investment income once again very favourable**

The portfolio of assets under own management grew to EUR 37.7 billion as at 30 September 2015 (31 December 2014: EUR 36.2 billion). This was principally due to effects associated with the appreciation of various currencies – especially the US dollar – against the euro. A continued healthy positive cash flow was also a factor here.

Despite the protracted low interest rate environment, ordinary investment income excluding interest on funds withheld and contract deposits came in significantly higher than the level of the comparable period (EUR 791.8 million) at EUR 912.5 million. This was due in part to a special effect in life reinsurance business as well as to sharply increased earnings from fixed-income securities and real estate. The exposure to high-yield investment funds also played a very pleasing role here. In addition, interest on funds withheld and contract deposits increased modestly to EUR 292.9 million (EUR 285.3 million). Impairments of just EUR 24.1 million (EUR 16.1 million) were taken. The bulk of these write-downs were attributable to scheduled depreciation on directly held real estate, a reflection

of the further increase in the company's exposure to this asset class. Net realised gains on disposals as at 30 September 2015 amounted to EUR 124.2 million (EUR 137.4 million).

Investment income from assets under own management climbed by a very gratifying 11.5% as at 30 September 2015 to EUR 931.8 million (EUR 836.0 million). The resulting annualised return on investment (excluding ModCo derivatives and inflation swaps) stood at 3.5%. Hannover Re is thus much on course to achieve its full-year target of 3.0%. Net investment income including interest on funds withheld and contract deposits improved by 9.2% to EUR 1,224.7 million (EUR 1,121.3 million).

### **Strong equity base**

Hannover Re's shareholders' equity remained on a strong level as at 30 September 2015 despite the dividend payment of EUR 512.5 million. It rose to EUR 7.7 billion (31 December 2014: EUR 7.6 billion). The annualised return on equity stood at a good 13.7% (31 December 2014: 14.7%). The book value per share reached EUR 64.15 (31 December 2014: EUR 62.61).

### **Outlook for 2015**

In view of its results for the first nine months Hannover Re is well on track to achieve its year-end targets for 2015. Based on constant exchange rates the company anticipates growth of 5% to 10% in *gross premium volume*. The company expects to generate *Group net income* in the order of EUR 950 million for the full 2015 financial year. This is conditional upon major loss expenditure not significantly exceeding the anticipated level of EUR 690 million and also assumes that there are no unforeseen adverse developments on capital markets.

For the upcoming round of treaty renewals in *property and casualty reinsurance* on 1 January 2016 Hannover Re expects to see some easing in the pressure on prices and conditions. Rising demand for high-quality reinsurance protection in mature markets as a consequence of the economic upturn in the United States should have favourable implications for the market development. Reinsurers with an excellent rating are set to benefit from this tendency. Reinsurance prices are likely to stabilise in some areas and room for rate increases will probably open up in some lines and markets.

While *life and health reinsurance* has experienced volatility in some areas in the year to date, its development has been satisfactory overall. Hannover Re expects to post good growth in premium income for the full year and an increased year-end profit.

Hannover Re's targets a *return on investment* for the full 2015 financial year of 3.0%. In the area of fixed-income securities the company will maintain its emphasis on the high quality and diversification of its portfolio. The focus is primarily on stability while ensuring an adequate risk/return profile. The company will also explore further expansion of its investments in real estate and equities.

As for the *dividend*, Hannover Re continues to aim for a payout ratio in the range of 35% to 40% of its IFRS Group net income after tax. This ratio may increase in light of capital management considerations if the company's comfortable level of capitalisation remains unchanged.

### **Outlook for 2016**

For the 2016 financial year Hannover Re expects a stable to slightly reduced *gross premium* adjusted for currency translation effects. The *return on investment* will likely be around 2.9%, while *Group net income* should be in the order of EUR 950 million. As usual, all statements are subject to the proviso that major losses remain within the expected bounds of EUR 825 million and that there are no unforeseen adverse movements on capital markets.

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**Hannover Re**, with gross premium of EUR 14.4 billion, is the third-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with around 2,500 staff. The rating agencies most relevant to the insurance industry have awarded Hannover Re very strong insurer financial strength ratings (Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior").

Please note the disclaimer:

<https://www.hannover-re.com/535917>

## Key figures of the Hannover Re Group (IFRS basis)

in EUR million	Q1-3/2015	+/- previous year	Q1-3/2014	2014
<b>Hannover Re Group</b>				
Gross written premium	12,945.9	+20.9%	10,704.5	
Net premium earned	10,830.1	+20.8%	8,966.1	
Net underwriting result	(72.8)		(11.8)	
Net investment income	1,224.7	+9.2%	1,121.3	
Operating profit (EBIT)	1,190.3	+9.1%	1,090.8	
Group net income	786.0	+13.0%	695.4	
Earnings per share in EUR	6.52	+13.0%	5.77	
Retention	87.9%		87.0%	
Tax ratio	26.5%		25.5%	
EBIT margin <sup>1)</sup>	11.0%		12.2%	
Return on equity	13.7%		14.4%	

in EUR million	Q1-3/2015	+/- previous year	Q1-3/2014	2014
Policyholders' surplus	9,917.9	-3.1%		10,239.5
Investments (excl. funds held by ceding companies)	37,703.0	+4.1%		36,228.0
Total assets	63,749.8	+5.4%		60,457.6
Book value per share in EUR	64.15	+2.5%		62.61

### Property & Casualty reinsurance

in EUR million	Q1-3/2015	+/- previous year	Q1-3/2014	2014
Gross written premium	7,319.4	+20.8%	6,060.0	
Net premium earned	5,965.4	+16.9%	5,104.5	
Net underwriting result	251.4	+11.6%	225.3	
Operating profit (EBIT)	936.3	+10.6%	846.8	
Group net income	651.0	+16.1%	560.8	
Retention	88.8%		89.6%	
Combined Ratio <sup>2)</sup>	95.5%		95.3%	
EBIT margin <sup>1)</sup>	15.7%		16.6%	

### Life & Health reinsurance

in EUR million	Q1-3/2015	+/- previous year	Q1-3/2014	2014
Gross written premium	5,626.6	+21.1%	4,644.6	
Net premium earned	4,864.1	+26.0%	3,861.4	
Operating profit (EBIT)	246.3	+5.3%	233.9	
Group net income	177.8	+6.9%	166.2	
Retention	86.8%		83.7%	
EBIT margin <sup>1)</sup>	5.1%		6.1%	

<sup>1)</sup> Operating result (EBIT)/net premium earned

<sup>2)</sup> Including funds withheld

## Key figures of the Hannover Re Group (IFRS basis)

in EUR million	Q3/2015	+/- previous year	Q3/2014
<b>Hannover Re Group</b>			
Gross written premium	4,359.4	+19.8%	3,639.6
Net premium earned	3,810.7	+21.9%	3,126.8
Net underwriting result	(32.9)		(26.3)
Net investment income	426.0	+2.9%	413.8
Operating profit (EBIT)	400.9	-1.5%	407.1
Group net income	254.1	+1.2%	251.0
Earnings per share in EUR	2.11	+1.2%	2.08
Retention	87.3%		85.7%
Tax ratio	29.7%		27.1%
EBIT margin <sup>1)</sup>	10.5%		13.0%
Return on equity	13.2%		15.0%
<b>Property &amp; Casualty reinsurance</b>			
in EUR million	Q3/2015	+/- previous year	Q3/2014
Gross written premium	2,347.1	+18.4%	1,981.9
Net premium earned	2,071.2	+19.4%	1,734.2
Net underwriting result	80.5	+20.2%	66.9
Operating profit (EBIT)	352.6	+8.2%	325.8
Group net income	232.6	+9.3%	212.9
Retention	87.3%		86.6%
Combined Ratio <sup>2)</sup>	95.8%		95.8%
EBIT margin <sup>1)</sup>	17.0%		18.8%
<b>Life &amp; Health reinsurance</b>			
in EUR million	Q3/2015	+/- previous year	Q3/2014
Gross written premium	2,012.1	+21.4%	1,657.7
Net premium earned	1,739.3	+24.9%	1,392.4
Operating profit (EBIT)	46.2	-41.6%	79.1
Group net income	32.1	-36.7%	50.8
Retention	87.2%		84.7%
EBIT margin <sup>1)</sup>	2.7%		5.7%

<sup>1)</sup> Operating result (EBIT)/net premium earned

<sup>2)</sup> Including funds withheld